

# Mineral Property

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## General

By statute and case law, mineral properties are taxable as real property and are subject to the same laws and appraisal methodology as all real property in the state. However, there are three property tax rules that specifically apply to the assessment of mineral properties. They are [Rule 468, Oil and Gas Producing Properties](#), [Rule 469, Mining Properties](#), and [Rule 473, Geothermal Properties](#). These rules are interpretations of existing statutes and case law with respect to the assessment of mineral properties.

A detailed discussion regarding the assessment of mineral property can be found [in Assessors' Handbook Section 560, Assessment of Mining Properties \(AH 560\)](#), and [Assessors' Handbook Section 566, Assessment of Petroleum Properties \(AH 566\)](#).

## Scope of Review

The BOE's assessment practices survey includes a review of the assessor's practices and procedures for valuing all mineral property in the county.

The specific areas of review may include, but are not limited to, the following:

### General Program Elements

- How many mineral properties are being assessed in the county?
- What types of minerals exist in the county?
- How many sand and gravel operations does the county have?
- Does the assessor use an outside consultant to assess mineral properties in the county? If so, does the assessor follow proper procedures when using an outside consultant?
  - A valid and current contract between the assessor and the consultant is in place?
  - Verification that certification and education requirements have been met?
  - Confidentiality of the property records is understood and being maintained?
- If the assessor uses an in-house appraiser to value mineral properties, how does the assessor determine which appraiser(s) to use to value these types of assessments?
- What type of training has the appraiser(s) had to value mineral properties?
- Does the assessor keep mineral lease agreements on file in the assessor's office?
- Has the assessor audited any companies owning mineral properties?
- Reserves:
  - Who makes reserve determinations, the assessor or the property owner based on their reported estimate?
  - How are reserves determined?
  - Is there a base year reserve?

- How does the assessor determine capitalization rates to be used in the valuation process?
- What is the basis for mineral property discount rates on California Land Conservation Act (CLCA) properties or other types of restricted properties?
- How does the assessor discover changes in ownership of mineral properties and are these changes in ownership documented?
- Does the assessor send Board-prescribed property statements to all owners of mineral property? If so,
  - Are the returned property statements properly completed?
  - Are additional requests sent to noncompliant property owners?
  - What is the rate of return of the requested property statements?
  - What is the procedure for tracking these property statements?
  - Do you apply the proper penalty(ies) when the property owner fails to timely return the Board-prescribed property statement(s)?
- Does the assessor review and apply the terms of the mineral property lease agreement, including any provisions for price adjustments and/or income escalations, as part of the valuation process?
- How does the assessor derive operating expenses used in cash flow analyses of mineral properties? Are these operating expenses documented in the property record?

### **Mining Properties**

- Does the assessor treat leach pads, settling ponds, and tailings facilities as separate appraisal units?
- Does the assessor follow [Rule 469](#) and make an allowance for depletion?
- What are the assessor's procedures for the valuation of new reserves and new construction?
- Does the assessor use the appropriate royalty rates?
- What valuation process does the assessor use to value mining properties?
- Does the assessor assess stockpiled mine ore?

### **Unpatented Mining Claims**

- Does the assessor assess unpatented federal mining claims? If so, how many claims are being assessed and what is the total assessed value?
- How does the assessor value unpatented mining claims?
- How does the assessor recognize changes in ownership of mining claims?

### **Petroleum Properties**

- Does the assessor give consideration to royalty interests when valuing partial interest transfers?
- Does the assessor follow [Rule 468](#) when valuing petroleum producing properties? Is an allowance made for changes in proved reserves?
- What is the assessor's source for petroleum production decline graphs?

- Does the assessor value new reserves, as well as economic reserves, in accordance with [Rule 468](#)?
- Does the assessor enroll supplemental assessments for discovery wells, economic reserves, or well improvements?
- How does the assessor estimate reserves?
- Does the assessor adjust reserve prices to reflect real or nominal market rates?
- Does the assessor value active well drilling operations as construction in progress on the lien date?
- Does the assessor value idle wells?
- How does the assessor value abandoned wells?
  - How are well abandonment costs handled?
  - Does the assessor have a well abandonment plan or study?
- How does the assessor value personal property and improvements for idle wells?